

BUDGET LETTER

		NUMBER:	11-17
SUBJECT:	GENERAL STATEWIDE SECTIONS	DATE ISSUED:	July 27, 2011
REFERENCES:	BUDGET ACT OF 2011 (CHAPTER 33, STATUTES OF 2011)	SUPERSEDES:	BL 10-36

TO: Agency Secretaries
Department Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

The Budget Act of 2011 (Budget Act) contains changes to the General Statewide Sections that may affect many departments. Sections 3.90 and 3.91 regarding reductions for employee compensation and state operations, respectively, have been revised for the 2011-12 fiscal year. Section 4.21 was added to the Budget Act while Sections 4.65 and 15.30 have been eliminated.

The new or revised Sections are summarized below. For additional information regarding these Sections, please contact your Department of Finance (Finance) budget analyst.

SECTION 3.90 – REDUCTION FOR EMPLOYEE COMPENSATION

Section 3.90 requires Finance to reduce appropriations as necessary to reflect savings for personal services cost reductions achieved through either collective bargaining or existing authority of the Administration for the 2011-12 fiscal year totaling \$288,325,000 from General Fund items and \$192,474,000 from items related to other funds. These reductions shall not apply to the California State University, the University of California, Hastings College of the Law, the Legislature, and the Judicial Branch. Employee compensation adjustment instructions will be forthcoming in a future Budget Letter. This Section also includes active and retiree health care appropriation reduction authority as outlined in Section 4.21.

SECTION 3.91 – REDUCTION IN STATE OPERATIONS

Section 3.91 requires Finance to reduce appropriations as necessary to reflect reductions achieved through departmental reorganizations, consolidations, eliminations, operational efficiencies, and other cost reduction measures, such as reducing contracts. Specifically, appropriations for the departments listed in subsection (a) will collectively be reduced by \$19,069,000 General Fund, and \$5,566,000 in other funds, as adopted by the Legislature. In addition, subsection (b) will reduce statewide spending in 2011-12 by \$249,900,000 from General Fund items and \$152,000,000 from items related to other funds, with the exception of the California State University, the University of California, Hastings College of the Law, the Legislature, and the Judicial Branch. Instructions about subsection (b) will be forthcoming.

SECTION 4.21 – HEALTH CARE PREMIUM SAVINGS

Section 4.21 requires the Public Employees' Retirement System to achieve a one-time savings of \$80,000,000 from General Fund items and \$35,704,000 from items related to other funds in the 2011-12 fiscal year. An equivalent amount of ongoing savings in the health premiums based on: (1) the core health

plan option, (2) other cost saving measures, or (3) both options 1 and 2, are required beginning in the 2012-13 fiscal year. These savings will result in a decrease to statewide budget items and affect the incremental adjustments allotted to departmental budgets through the annual employee compensation Budget Letters. Savings pursuant to this Section will be captured through a Section 3.90(b) Executive Order.

If you have any questions regarding these changes, please call your Finance budget analyst.

/s/ Todd Jerue

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